

Message Text

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14

ACTION EB-07

INFO OCT-01 EUR-12 ISO-00 SP-02 USIA-15 AID-05 NSC-05

CIEP-02 TRSE-00 SS-15 STR-04 OMB-01 CEA-01 CIAE-00

COME-00 FRB-01 INR-07 NSAE-00 XMB-04 OPIC-06 LAB-04

SIL-01 (ISO) W

----- 038401

R 291550Z OCT 76

FM AMEMBASSY COPENHAGEN

TO SECSTATE WASHDC 3495

INFO AMEMBASSY BONN

AMEMBASSY BRUSSELS

USMISSION EC BRUSSELS

AMEMBASSY DUBLIN

AMEMBASSY THE HAGUE

AMEMBASSY LONDON

AMEMBASSY LUXEMBOURG

RUFNPSXAMEMBASSY PARIS 3622

AMEMBASSY OSLO

AMEMBASSY ROME

AMEMBASSY STOCKHOLM

UNCLAS COPENHAGEN 3683

EO 11652: NA

TAGS: EFIN, DA, EC

SUBJECT: STABLE KRONE STILL LEADS SNAKE

REF: (A) COPENHAGEN 3497,

1. DANISH KRONE WAS QUOTED 589.15 TO DOLLAR IN COPENHAGEN TODAY, OCTOBER 29, ONLY ONE-FIFTH OF ONE PERCENT BELOW THE PRE-ADJUSTMENT RATE. THIS REFLECTED THE DOLLAR DROP OF ABOUT ONE PERCENT EARLY THIS WEEK. IN RELATION TO DEUTSCHMARK AND THE OTHER SNAKE CURRENCIES, DANISH KRONE HAS BEEN STABLE ALL WEEK, PRESERVING ITS POSITION AT THE TOP OF THE SNAKE. AT PRESENT, THE ACTUAL KRONE DEVALUATION
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IN RELATION TO DEUTSCHMARK IS ONLY 1.7 PERCENT. BY A

WEIGHTED AVERAGE, ACCORDING TO FOREIGN TRADE STATISTICS, THE SNAKE-RE-ALIGNMENT THUS FAR HAS MEANT A DEVALUATION OF KRONE OF LESS THAN ONE HALF PERCENT, A VERY SMALL CHANGE COMPARED TO THE DE FACTO REVALUATION OF KRONE WHICH HAS TAKEN PLACE SINCE THE BEGINNING OF 1976 (REF A).

2. THE TECHNICAL STRENGTH OF THE KRONE, WHICH REPORTEDLY THIS WEEK FORCED THE DANISH CENTRAL BANK TO INTERVENE TO KEEP THE KRONE DOWN INSIDE THE SNAKE MARGIN (A SOMEWHAT UNUSUAL SITUATION), IS EXPECTED TO CONTINUE FOR STILL SOME TIME DESPITE THE STILL UNFAVORABLE TRADE BALANCE, BECAUSE THE WINDING UP OF PREVIOUSLY ARRANGED FORWARD TRADE WILL CAUSE CONTINUED NET INFLOWS OF CURRENCY.
DEAN

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Message Attributes

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Disposition Event:
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